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COMMERCE CAPITAL CORPORATION LIMITED

Suite 3424, One Place Ville Marie,  
Montreal, Quebec H3B 3N6

Commerce Capital Companies

Commerce Capital Trust Company  
— *trust company services*

Commerce Capital Properties Limited  
— *real estate development*

Commerce Capital Mortgage Corporation  
— *mortgage lending*

Commerce Capital Financial Services  
(1977) Limited  
— *mortgage brokerage*

Comcap Factors Inc.  
— *factoring*



**COMMERCE CAPITAL  
CORPORATION  
LIMITED**

**Interim Report to Shareholders**

For Six Months Ended June 30, 1977

## TO THE SHAREHOLDERS

Commerce Capital continued to show excellent progress in terms of earnings and asset growth during the first half of 1977. Unaudited consolidated earnings before extraordinary items amounted to \$965,000 compared to \$804,000 for the same period last year. After taking into account a 14% reduction in the average number of shares outstanding, this was equivalent to 38 cents per share compared to 28 cents in 1976 — a 36% improvement.

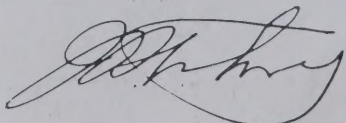
Total assets now equal \$419 million, up from \$390 million at year-end, the greatest part of this growth being recorded in the Company's mortgage and securities investment portfolios. The increase in the securities portfolio consisted primarily of purchases of preferred shares due to their exceptionally attractive after-tax returns. Since the dividends from these holdings are not taxable in our hands, the tax saving is of major significance and, as a result, our operating performance can only be measured in a meaningful way on the basis of after-tax earnings. Any comparison of the current year's pre-tax earnings with those of the previous year can be misleading.

Our mortgage portfolio continued to grow at a satisfactory rate, with new commitments increasing over the past three months. Mortgage interest rates have remained stable during the second quarter and should hold around current levels for the balance of the year. This, coupled with a slight pickup in economic activity, points to a steady demand for funds from home buyers, which should result in our summer and fall mortgage fundings being well ahead of 1976 levels.

The Company's Board of Directors has declared a quarterly dividend of 4 cents per common share payable October 14th, 1977 to Shareholders of record September 23rd, 1977.

During the past two months, the Canadian Senate has completed detailed studies of two major pieces of federal legislation which are most relevant to our operations — the Bank Act and the Borrowers and Depositors Protection Act. We are pleased that in their review of the Bank Act the Senate concurred with the trust industry's submission that trust companies not be required to maintain non-interest bearing reserves with the Bank of Canada; we expect that this recommendation will be accepted. With respect to the Borrowers and Depositors Protection Act, the Senate Committee recommended that it be withdrawn and that a consultative process with all interested parties be commenced with a view to a full redrafting. The Minister of Consumer and Corporate Affairs has announced that he will follow this course of action and we expect that the trust industry will provide an important input into the redrafting.

Yours very truly,



Montreal, Canada.  
August 10, 1977.

J. B. Whitely, President

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)		
Six months ended		
June 30		
	1977	1976
<b>Income</b>		
Interest .....	\$20,147,000	\$18,301,000
Dividends .....	666,000	234,000
Income from sale of properties .....	3,978,000	—
Income from all other sources .....	2,154,000	1,467,000
	<u>26,945,000</u>	<u>20,002,000</u>
<b>Expenses</b>		
Interest .....	16,306,000	14,378,000
Cost of properties sold .....	4,793,000	—
Administrative and general expenses .....	4,042,000	3,209,000
	<u>25,141,000</u>	<u>17,587,000</u>
<b>Income before Income Taxes, Minority Interest and Extraordinary Items .....</b>	<b>1,804,000</b>	<b>2,415,000</b>
Income taxes .....	590,000	1,353,000
	<u>1,214,000</u>	<u>1,062,000</u>
Minority interest .....	249,000	258,000
<b>Income before Extra- ordinary Items .....</b>	<b>965,000</b>	<b>804,000</b>
<b>Extraordinary Items</b>		
Recovery of income taxes .....	—	51,000
<b>Net Income .....</b>	<b>\$ 965,000</b>	<b>\$ 855,000</b>
<b>Earnings per Share</b>		
Before extraordinary items .....	38¢	28¢
Net income .....	38¢	29¢
<b>Average number of shares outstanding .....</b>	<b>2,516,870</b>	<b>2,916,870</b>